

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM SECSTATE WASHDC

TO AMEMBASSY HELSINKI

INFO AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

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E.O. 11652: N/A

TAGS: EAIR, FI

SUBJECT: CIVAIR - FINNAIR'S SERVICES TO NEW YORK

1. AS EMBASSY AWARE, US MAKING DETERMINED EFFORT, PURSUANT TO SEVEN-POINT ACTION PROGRAM ANNOUNCED BY PRESIDENT LAST SEPTEMBER DESIGNED TO ASSIST AILING US AIRLINES (PARTICULARLY PAN AM AND TWA), TO REDUCE EXCESS AIRLINE CAPACITY IN NORTHATLANTIC PROGRESS HAS BEEN MADE OR IS EXPECTED IN MAJOR MARKETS. RE SECONDARY MARKETS, CAPACITY REDUCTION AGREEMENT HAS ALREADY BEEN MADE WITH SWISSAIR AND GOVERNMENT AND AIRLINE TALKS ARE CONTINUING WITH KLM, SAS AND SABENA.

2. FINNAIR HAS PUBLISHED SCHEDULES FOR APRIL - SEPTEMBER WHICH SHOW A 76 PERCENT INCREASE IN SEAT CAPACITY OVER
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COMPARABLE PERIOD IN 1974, DUE CHIEFLY TO USE OF DC-10

(IN LIEU OF DC-8) ON FOUR OF ITS SEVEN WEEKLY FLIGHTS. MORE SIGNIFICANT IS FACT THAT THIS SCHEDULE INVOLVES DOUBLING OF SEAT CAPACITY AT COPENHAGEN AND AMSTERDAM. NON-STOP SEAT CAPACITY APRIL - SEPTEMBER 1974 WAS 7485 AND SEAT CAPACITY OF FLIGHTS SERVING COPENHAGEN/AMSTERDAM WAS 29,160. COMPARABLE FIGURES FOR 1975 ARE 6130 AND 58,404. MOREOVER, OUR DATA SHOW THAT LESS THAN ONE PERCENT OF PASSENGERS CARRIED BY FINNAIR BETWEEN NEW YORK AND AMSTERDAM/COPENHAGEN IN SUMMER 1974 HAD AN ORIGIN OR DESTINATION IN FINLAND. WITH A DOUBLING OF

SEAT CAPACITY AT THESE POINTS, FINNAIR IS IN A POSITION CARRY SIGNIFICANTLY HIGHER NUMBER OF THIRD-COUNTRY PASSENGERS, THUS UNDERMINING WHATEVER CAPACITY REDUCTION AGREEMENTS WE HOPE MAKE WITH KLM AND SAS. THERE IS ALSO POSSIBILITY THAT KLM AND SAS MIGHT MAKE SOME ARRANGEMENT WITH FINNAIR TO USE FINNAIR'S CAPACITY TO CARRY TRAFFIC SOLD BY KLM AND SAS.

3. DEPARTMENT DESIRES PUT SOME PRESSURE ON FINLAND AND FINNAIR TO REDUCE ITS CAPACITY AT INTERMEDIATE POINTS

AND TO THIS END REQUESTS THAT NOTE ALONG FOLLOWING LINES BE DELIVERED. WE WOULD CONSIDER FURTHER STEPS DEPENDING ON FINNISH RESPONSE AND DEVELOPMENTS VIA-A-VIS KLM AND SAS TALKS.

4. TEXT OF NOTE FOLLOWS:

...AND REFERS TO THE SITUATION FACING TRANSATLANTIC AIR TRANSPORT, PARTICULARLY WITH REFERENCE TO THE OPERATIONS OF FINNAIR UNDER THE US-FINLAND AIR TRANSPORT AGREEMENT OF APRIL 28, 1949.

AS THE FINNISH AUTHORITIES ARE AWARE, TRANSATLANTIC AIR TRANSPORT FACES SEVERE PROBLEMS DUE TO RISING COSTS, EXCESS CAPACITY, AND A DECLINE IN THE GROWTH OF TRAFFIC. THE UNITED STATES AND OTHER COUNTRIES ARE ATTEMPTING TO DEAL WITH THESE PROBLEMS BY A VARIETY OF MEANS, INCLUDING MUTUAL EFFORTS TO REDUCE CAPACITY IN ORDER TO ACHIEVE LIMITED OFFICIAL USE

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ACCEPTABLE LOAD FACTORS AND COST SAVINGS. IF THESE EFFORTS ARE TO PROVE SUCCESSFUL, THE COOPERATION OF ALL COUNTRIES AND AIRLINES ENGAGED IN TRANSATLANTIC AIR TRANSPORT IS REQUIRED. THE US AUTHORITIES HAVE, THEREFORE, NOTED WITH CONCERN REPORTS THAT FINNAIR PROPOSES TO INCREASE ITS TRANS-ATLANTIC SEAT CAPACITY DURING THE APRIL 1 - SEPTEMBER 30 PERIOD BY OVER 75 PERCENT COMPARED WITH 1974 LEVELS.

SINCE FINNAIR'S SCHEDULES CALL FOR AN 18 PERCENT REDUCTION IN NON-STOP NEW YORK - HELSINKI SEAT CAPACITY, IT IS APPARENT THAT THE DOUBLING OF SERVICE VIA COPENHAGEN AND/OR AMSTERDAM IS INTENDED TO MEET THE DEMANDS OF FIFTH FREEDOM TRAFFIC. DATA AVAILABLE TO THE US AUTHORITIES SHOW THAT THE VAST MAJORITY OF THE TRAFFIC CARRIED BY FINNAIR BETWEEN NEW YORK AND AMSTERDAM/COPENHAGEN IS FIFTH FREEDOM TRAFFIC.

THE US AUTHORITIES HAVE NO DIFFICULTY WITH ANY NON-STOP NEW YORK - HELSINKI SERVICES WHICH FINNAIR MAY PROVIDE, PARTICULARLY AT A TIME WHEN NO US AIRLINE SERVICE TO FINLAND IS BEING OPERATED. THEY ALSO HAVE NO OBJECTION TO FINNAIR OPERATING A FEW OF ITS FLIGHTS VIA AMSTERDAM AND/OR COPENHAGEN IN ORDER TO CARRY A REASONABLE AMOUNT OF FIFTH FREEDOM TRAFFIC. HOWEVER, WITH FINNAIR'S ALREADY EXISTING EXCESSIVE PROPORTION OF FIFTH FREEDOM TRAFFIC AND THE PROPOSED DOUBLING OF CAPACITY VIA AMSTERDAM AND/OR COPENHAGEN, THE US AUTHORITIES MUST VIEW THE SITUATION WITH GREAT CONCERN. SPECIFICALLY, FINNAIR'S OPERATIONS ARE LIKELY TO DISRUPT COOPERATIVE ARRANGEMENTS WHICH THE US AND ITS AIRLINES ARE MAKING WITH OTHER EUROPEAN COUNTRIES AND AIRLINES TO RESOLVE THE TRANSATLANTIC AIR TRANSPORT SITUATION. IN ADDITION, IT APPEARS THAT THE PROPOSED FINNAIR OPERATIONS ARE

INCONSISTENT WITH SECTIONS IV, V, VI, AND VII OF THE ANNEX TO THE AIR TRANSPORT AGREEMENT.

THE US AUTHORITIES THEREFORE REQUEST THAT THE FINNISH AUTHORITIES TAKE PROMPT STEPS TO ASSURE THAT FINNAIR'S PROPOSED SEAT CAPACITY BETWEEN NEW YORK AND AMSTERDAM/COPENHAGEN IS REDUCED TO A LEVEL NO GREATER THAN THAT LIMITED OFFICIAL USE

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OFFERED IN 1974. THE USG WOULD APPRECIATE URGENT CONSIDERATION OF THIS REQUEST IN ORDER TO PERMIT THE US AUTHORITIES TO REVIEW WHETHER THE US SHOULD REQUEST CONSULTATIONS UNDER THE AIR TRANSPORT AGREEMENT TO PURSUE THE QUESTION OF THE CONSISTENCY OF FINNAIR'S OPERATIONS WITH THE AGREEMENT. KISSINGER

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